Weekly Economic Review

Upsurge in housing starts

Housing Starts

Apartments fuel housing starts

After a slow start to the year, housing starts in Alberta surged for the second month in a row. They reached 34,960 units in March, the highest level since November 2015. The month-over-month (m/m) increase of nearly 33% was led by a spike in apartments (+158.2% m/m) while singles (-4.3% m/m) and semi-detached fell (-23.8% m/m) (Chart 1). Nearly all of the gains were in Calgary, where multiples more than tripled. Residential building permits in Calgary surged last year ahead of building code changes in November, so it is likely that construction has begun on some of these projects. Compared to last year, housing starts rose across all dwelling types for the first time since October 2014. Nationally, housing starts grew to the highest level since September 2007 led by strong gains in Quebec, BC and Alberta.

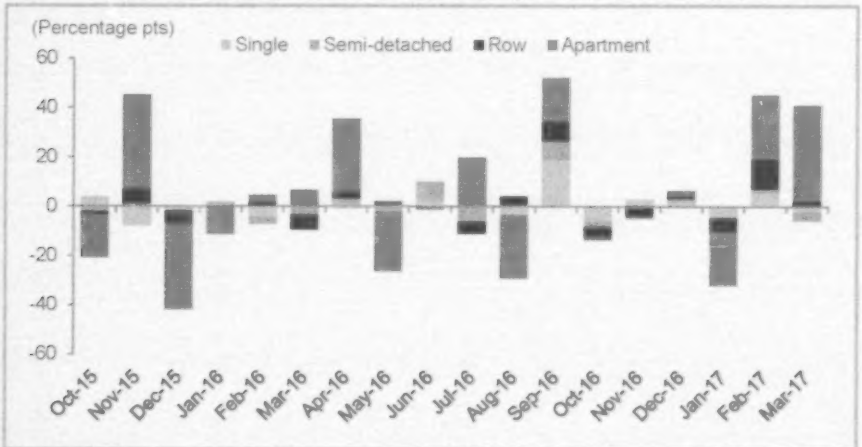
Manufacturing Shipments

Gains in petrochemicals and durable goods drive growth

Manufacturing shipments in Alberta continue to improve. The value of manufacturing shipments grew by 1.4% m/m to $5.7 billion in February, led by gains in chemical products and durable goods. Gains have become more broad-based, as sales of fabricated metals (+11.1% m/m) and non-metallic mineral products (+9.3% m/m) picked up. Machinery equipment also posted its strongest monthly growth since April 2016 (+13.6% m/m). In contrast, petroleum and coal products fell for the first time in four months (-4.9% m/m) due to lower prices and volumes. On a year-over-year (y/y) basis, shipments were up 16% led by petroleum and coal (+54% y/y) and chemical products (+28.2% y/y). Machinery manufacturing recovered about 30% of the losses incurred during the recession.

Chart 1: Surge in housing starts driven by apartments

Contribution to monthly growth in urban housing starts by dwelling type



Source: Canadian Mortgage Housing Corporation

New Housing Price Index

New house prices flat in February

New house prices in Alberta remain stagnant. The new housing price index (NHPI) was unchanged in February, as a slight decline in Calgary was offset by a small increase in Edmonton. Compared with last year, the NHPI fell slightly (-0.4%), with prices in Calgary and Edmonton down at a similar rate. At the national level, growth in NHPI accelerated (+3.3% y/y) to the fastest rate since June 2008, driven by strong price gains in Ontario (+6.9 y/y).

Monetary Policy

BoC upgrades near-term outlook

The Bank of Canada (BoC) raised its 2017 economic growth forecast for Canada but left its key policy rate unchanged. The BoC is projecting the Canadian economy to expand by 2.6% this year, up half a percentage point from its January forecast. This increase is largely due to a surge in activity in the first quarter of this year. The BoC emphasized that there is material slack in the economy and that although the recent rebound is encouraging, it is too early to conclude that the economy is on a solid footing. Moreover, significant uncertainties remain surrounding the US tax and trade policies. The forecast for 2018 was trimmed from 2.1% to 1.9% while growth in 2019 is forecast at 1.8%.

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Please see the *Alberta Economy- Indicators at a Glance* for a snapshot of Alberta indicators.